

Message Text

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ACTION EB-07

INFO OCT-01 IO-10 ISO-00 AF-06 ARA-06 EA-07 EUR-12 NEA-10

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FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05

PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01 TRSE-00

USIA-06 PRS-01 SP-02 OMB-01 /134 W

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R 021850Z SEP 75

FM USDEL MTN GENEVA

TO SECSTATE WASHDC 423

C O N F I D E N T I A L SECTION 1 OF 2 MTN GENEVA 6757

PASS STR

E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJ: MTN DELEGATION COMMENTS ON ELEMENTS OF LDC STRATEGY

1. SUMMARY: MTN DEL APPRECIATES FIRST-CUT NATURE OF PAPER. COMMENTS WILL BE FOCUSED ON INITIAL REACTION TO PROPOSALS FOR SPECIAL AND DIFFERENTIATED TREATMENT WITH A VIEW TO CULLING MOST FEASIBLE APPROACHES FOR DETAILED EXAMINATION. MTN DEL HAS INCLUDED ADDITIONAL SUGGESTIONS FOR STUDY. MORE DETAILED ELABORATION OF PROS AND CONS OF U.S. ESPOUSAL PROPOSED ELEMENTS OF SPECIAL AND DIFFERENTIATED TREATMENT AND ELABORATION OF TACTICS INCLUDING TIMING IN "HOW TO" SECTION UNDER EACH CATEGORY BEING DRAFTED IN GENEVA. PAPER WILL ALSO RAISE ISSUES WHICH NEED TO BE RESOLVED BEFORE DETAILED WORK ON SOME CATEGORIES CAN PROCEED. MTN DEL ALSO BELIEVES THAT THIS PAPER OR SIMILAR PAPER MUST DEAL WITH LDC PROPOSALS ON WHICH US REACTION WILL BE NEGATIVE. END SUMMARY.

2. GENERAL COMMENTS: MTN DEL HAS FOCUSED INITIAL
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RESPONSES ON IDENTIFYING MOST FEASIBLE APPROACHES WITH-

OUT REFERENCE TO PROPER TIMING OF ANNOUNCING US POSITION. WE BELIEVE THAT IT IS NOT NECESSARILY APPROPRIATE TO INCORPORATE SPECIAL AND DIFFERENTIATED TREATMENT IN PROCEDURES OR SUBSTANCE ALL WORKING GROUPS. OUR APPROACH IN BOTH SHORT AND LONG TERM IS TO RESPOND TO LDC PROPOSALS BOTH POSITIVELY AND NEGATIVELY THUS THIS OR SIMILAR PAPER SHOULD TREAT ALL LDC PROPOSALS. QUESTION OF WHETHER US SHOULD OR SHOULD NOT BE OUT FRONT IN IDENTIFYING SPECIAL AND DIFFERENTIATED (S&D) TREATMENT IS MOOT UNTIL INTERNAL USG EXAMINATION IS FURTHER ADVANCED. OBJECT OF THE EXERCISE SHOULD NOT BE TO CURRY FAVOR BUT RATHER TO ASSURE CONSTRUCTIVE NON-POLITICAL BARGAINING. IN THIS CONNECTION LAST SENTENCE PARA I (D) SHOULD BE DELETED, AND PAPER SHOULD INCLUDE MORE THOROUGHGOING ASSESSMENT OF THREAT POSED BY LDC DISSATISFACTION.

3. LDC RECIPROCITY. PAPER SHOULD STRESS THAT PROGRESS IN IDENTIFYING FEASIBLE AND APPROPRIATE S&D FOR LDCS MUST BE LINKED TO IDENTIFYING FEASIBLE AND APPROPRIATE LDC CONTRIBUTIONS TO THE NEGOTIATIONS. PREDOMINANT LDC VIEW THAT GENERAL CONTRIBUTIONS (NOT LINKED TO CONCESSIONS GRANTED LDC'S) CAN BE MADE AT THE END OF THE DAY MUST BE COUNTERED. SUPPLY ACCESS RECIPROCITY SHOULD BE MORE FULLY DISCUSSED INCLUDING ACCESS COMMITMENTS AND BINDING OF EXPORT TAXES. SIMILARLY THE NTM AREA OFFERS AN OPPORTUNITY FOR LDC'S TO OFFER RECIPROCITY TO THE DEVELOPED COUNTRIES WITHOUT NECESSARILY OPENING THEIR ECONOMIES TO ADDITIONAL COMPETITION. THIS RECIPROCITY COULD COME IN SUCH AREAS AS THE CONVERSION OF LICENSING AND QUOTA SYSTEMS TO TARIFF PROTECTION, THE ABOLITION OF CONSULAR FORMALITIES, AND THE RATIONALIZATION OF CUSTOMS PROCEDURES. THESE ISSUES SHOULD BE FULLY EXPLORED IN SUBSEQUENT DRAFTS OF THIS PAPER.

4. TARIFF. A) REFERENCE TO FORMULA WITH FLOOR WHICH WOULD PROTECT GSP MARGINS OF PREFERENCE (ADVANCED BY EC, JAPAN) SHOULD BE DELETED. OUR POSITION SHOULD CONTINUE TO BE THAT WE SHOULD SEEK TO IMPROVE ACCESS BY EXPANDING TRADE RATHER THAN MINIMIZING LIBERALIZATION FROM THE OUTSET. B) STAGING PROVISIONS AS A POTENTIAL CONCESSION

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NEED CAREFUL ASSESSMENT AND SHOULD BE SEEN AS ALTERNATIVE OR COMPLEMENT TO DEEPER THAN FORMULA CUTS. ANY ASSESSMENT OF STAGING PROVISIONS SHOULD WEIGH CAREFULLY THE GAIN FROM RESPONDING TO LDC DEMANDS AGAINST THE POTENTIAL TRADE LOSS IF OTHER DC'S APPLY SIMILAR CONCESSIONS ON ITEMS OF EXPORT INTEREST TO THE U.S. THE LEGALITY OF DIFFERENTIATED STAGING FOR SAME ITEM SHOULD ALSO BE EXAMINED. IF THIS APPROACH IS BOTH CONSISTENT WITH TRADE ACT AND MAKES SENSE

FROM POLICY STANDPOINT IT COULD POSSIBLE BE AN ACCEPTABLE VARIATION OF EGYPTIAN PROPOSAL. C) ADVANCED IMPLEMENTATION OF TARIFF CONCESSIONS FOR LDCS SHOULD ALSO BE EXAMINED AS AN ALTERNATIVE. OVERLAP OF PRODUCTS WHICH WOULD PROBABLY BE COVERED BY SUCH AN APPROACH WITH PRODUCTS REQUESTED IN TROPICAL PRODUCTS GROUP MIGHT LIMIT FEASIBILITY OF THIS APPROACH. D) ADDITION OF ITEMS TO GSP ONCE IT IS ESTABLISHED THAT MFN CUTS WILL OCCUR COULD BE USED ONLY ON A LIMITED BASIS. SUCH A TECHNIQUE WOULD ERODE THE VALUE OF CONCESSIONS TO DC PARTNERS, WOULD REQUIRE LONG LEAD TIME, AND USE OF THE TECHNIQUE SEVERELY CONSTRAINED BY THE FACT THAT THE ITEM/ITEMS WERE TOO SENSITIVE TO INCLUDE UNDER GSP INITIALLY. MTN DEL AGREES THAT TARIFF FORMULA NEED NOT APPLY TO LDCS BUT HAS DIFFICULTY WITH ATTEMPTING TO SINGLE OUT OR GETTING AGREEMENT OF MORE ADVANCED DEVELOPING COUNTRIES FOR PARTIAL APPLICATION OF FORMULA. THE SECRETARIAT STUDY ON EFFECT OF FORMULAE AS CURRENTLY PROPOSED (BEFORE AND AFTER COMPARISON OF TARIFFS) IS NOT IN THE US INTEREST. US SUPPORT SHOULD RATHER FOCUS ON BROADER STUDY INCLUDING EFFECT OF FORMULAE ON TARIFF ESCALATION, EFFECT OF PROPOSED FLOORS ON PRODUCTS OF INTEREST TO LDCS, AND IDENTIFICATION OF PARAMETERS AFFECTING STUDY INCLUDING PRESENT VALUE OF CONCESSIONS UNDER VARYING ASSUMPTIONS GSP DURATION (SEE BALDWIN STUDY AND BALE/WALKER MEMO 8/22). E) ON THE QUESTION OF SPECIAL PROCEDURES FOR EXCEPTIONS, THE SUGGESTED LDC ACCESS TO EXCEPTION LISTS AND THE JUSTIFICATION PROCEDURE APPEARS PREMATURE AND PERHAPS TOO CUMBERSOME. AN ALTERNATIVE MEANS OF DEALING WITH LDC TRADE INTERESTS AND TYING LDC'S INTO MEANINGFUL EXCHANGE OF CONCESSIONS WOULD BE TO HAVE LDC'S NOTIFY LISTS OF PRODUCTS OF TRADE INTEREST

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TO THEM AND ENTER INTO BILATERAL CONSULTATIONS WITH DC'S, THUS BY-PASSING QUESTION OF EXCEPTION LISTS AND JUSTIFICATION PROCEDURE. SUGGEST THIS PROPOSAL BE ASSESSED.

5. SAFEGUARDS. BELIEVE FOCUS ON SAFEGUARDS SHOULD BE IDENTIFICATION OF ELEMENTS LDC PROPOSALS (SEE MTN/3D/5, ANNEX 3-6) THAT MESH WITH EMERGING US POSITION AND DISCUSSION OF PROPER TIMING FOR US SUPPORT THESE PROPOSALS. CONTRARY TO STATEMENT PAGE 10 MTN DEL BELIEVES THAT TRADE ACT NEUTRAL ON SELECTIVE OR DIFFERENTIAL SAFEGUARD ACTIONS. IN FACT, SECTION 107 MAY BE INTERPRETED TO ALLOW SAME UNDER CERTAIN CONDITIONS. ALTHOUGH WORTH EXPLORING, REAL UTILITY AND FEASIBILITY OF COMPENSATION FOR LDC'S SUBJECT TO

SAFEGUARD ACTIONS OPEN TO QUESTION, GIVEN LIMITATIONS
ON COMPENSATION POTENTIAL SET BY TYPICALLY NARROW
RANGE OF INDIVIDUAL COUNTRY EXPORT INTEREST AND TRADE
ACT SECTION 123 CONSTRAINTS.

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ACTION EB-07

INFO OCT-01 IO-10 ISO-00 AF-06 ARA-06 EA-07 EUR-12 NEA-10

OIC-02 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

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PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01 TRSE-00

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R 021850Z SEP 75

FM USDEL MTN GENEVA

TO SECSTATE WASHDC 424

C O N F I D E N T I A L SECTION 2 OF 2 MTN GENEVA 6757

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6. SUBSIDIES AND COUNTERVAILING DUTIES. WE BELIEVE
THE KEY ELEMENT FOR US ACCEPTANCE SUBSIDIES/CVD CODE
IS THAT INJURY TO US DOMESTIC INDUSTRY WILL BE COUNTER-
VAILED AGAINST REGARDLESS OF THE SOURCE OF THIS
INJURY. ITEMS 2 AND 3 OF "WHAT WE CAN DO" AND PARA-
GRAPHS B AND C OF "HOW" IMPLY OTHERWISE. IT SHOULD
FURTHER BE KEPT IN MIND THAT TO DATE THERE IS NO
AGREEMENT BY OUR NEGOTIATING PARTNERS TO PROCEED ALONG
THE LINES OF THE US PROPOSAL. GIVEN SUCH COMMITMENT
WAIVER IDEA (ITEM 4) HAS MERIT BUT FOR NOW WE MUST
MAINTAIN A FLEXIBLE APPROACH TOWARD LDC TREATMENT.

7. STANDARDS. THE INHERENT ADVANTAGES TO LDC'S IN
THE CURRENT DRAFT CODE ARE OVERLOOKED. APART FROM THE
PROVISIONS FOR TECHNICAL ASSISTANCE TO LDC'S, THE
OPENING OF STANDARDS PROCEDURES TO THIRD COUNTRIES

WOULD ALLOW LDC'S AS WELL AS DC'S TO FOLLOW THE DEVELOPMENT PROCESS IN STANDARDS. THIS CODE WOULD IN EFFECT ENSURE THAT LDC VIEWS ON STANDARDS ARE HEARD.

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8. LICENSING, CONSULAR FORMALITIES. OUR COPY APPARENTLY IS GARBLED AS SAME TEXT APPEARS HERE AS UNDER STANDARDS DISCUSSION.

9. AGRICULTURE. DISCUSSION S&D THIS WORKING GROUP PREMATURE. LDC PROPOSALS FOR S&D AND SPECIAL PROCEDURES MORE VAGUE THAN OTHER GROUPS. IMPORTANCE OF FOOD AID TO LDCS AND RESULTANT LDC SUPPORT FOR US POSITION IN GRAINS GROUP SHOULD BE ASSESSED PARTICULARLY WITH RESPECT PROPOSALS ADVANCED IN PAPER UNDER SUPPLY ACCESS.

10. SUPPLY ACCESS. NOT CLEAR WHAT IS BEING PROPOSED FOR LDCS WITH RESPECT TO SUPPLY ACCESS CODE AND DOMESTIC PROCESSING. WHAT ARE PROSPECTS FOR GIVING RECIPROCITY CREDIT (SEE PARA 3) FOR LDC EXPORT MEASURE BINDINGS? WE UNACQUAINTED WITH TERM "RELATIVELY LESS DEVELOPED COUNTRIES (RLDC'S)" AND UNCLEAR WHICH LDCS ENCOMPASSED. IS IT LEAST DEVELOPED LDCS, OR MORE ADVANCED LDCS? WE SUSPECT THIS COULD MAKE MAJOR DIFFERENCE AS TO WHETHER QUANTITY GUARANTEES FOR RLDC'S WOULD IMPINGE SERIOUSLY ON STOCKS. (WE ASSUME STOCKS REFERENCE IS TO GRAINS, COMMODITIES NOT SPECIFIED IN DRAFT PAPER). HOW DOES QUANTITY GUARANTEE IDEA RELATE TO US GRAIN RESERVE PROPOSALS ALREADY MADE?

11. TROPICAL PRODUCTS. SEVERAL SIGNIFICANT ISSUES REMAIN TO BE RESOLVED IN ORDER FOR THE WORK OF THIS GROUP TO PROCEED. FOR EXAMPLE CAN APPROPRIATE BALANCE OCCUR AMONG DCS WITH A VIEW TO A TROPICAL PRODUCTS PACKAGE IF NO TARIFF NEGOTIATING PLAN HAS BEEN AGREED? PROCEEDING WITHOUT REFERENCE TO A TARIFF NEGOTIATING PLAN IN THIS GROUP MAY BE ONE FORM OF POSSIBLE SPECIAL TREATMENT.

12. TRADE REFORM. GIVEN STATED US VIEW THAT MUCH OF NTM AND OTHER CODE ACTIVITY IS ITSELF TRADE REFORM, IT IS NOT CONSISTENT TO PROPOSE A DELAY IN CONSIDERATION OF REFORM. REGARDING REFORM OF GATT PART IV, WHICH LIKELY TO BE OBJECT OF SOME LDC RHETORIC THIS
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FALL, WE DOUBT US WILL BE IN POSITION AT THAT TIME TO DIVERT LDC ATTENTION TO SPECIAL/DIFFERENTIAL PROVISIONS IN CODES AND THEREFORE SUGGEST THAT SOME THOUGHT BE GIVEN TO DEVELOPING US POSITION FOR RESPONDING ON PART IV. OTHER AREAS IN WHICH US INTERESTED IN REFORM SHOULD BE ASSESSED WITH RESPECT TO LDC INTEREST. FOR EXAMPLE, IT MAY BE POSSIBLE, WHEN BOP REFORM GETS UNDERWAY, TO IMPROVE SPECIAL PROCEDURES FOR LDC'S.

13. SECTORS. EVENTUAL WORK IN SECTORS GROUP WILL PLACE SUPPLIERS OF RAW MATERIALS SEMI-MANUFACTURED, AND MANUFACTURED PRODUCTS, ON MORE EQUAL FOOTING, IN ITSELF A SPECIAL PROCEDURE. WASHINGTON ASSESSMENT OF SECRETARIAT STUDY OF SECTORS OF INTEREST TO LDC'S SHOULD BE MADE. LDC INTEREST IN MINERALS AND ORES AND CHEMICALS (MEXICO, ARGENTINA) MAY BE BASIS FOR NATURAL ALLIANCE. WALKER

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Disposition Approved on Date:
Disposition Authority: CunninFX
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